

Message Text

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FRB-01 H-02 INR-10 INT-05 L-03 LAB-04 NSAE-00
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USMTN

E.O. 11652:N/A

TAGS:ETRD

SUBJECT: MTN/KOREAN CONCERN WITH SELECTIVITY

1. ECONOMIC COUNSELOR HAN OF KOREAN EMBASSY IN WASHINGTON CALLED ON DEPARTMENT OFFICIALS (AHMAD, DIRECTOR OF OFFICE OF TRADE) WEDNESDAY, JULY 5 TO EXPRESS ROK CONCERN REGARDING THE EC'S PUSH FOR UNILATERAL SELECTIVITY. HAN STRESSED THAT THIS WAS CONTRARY TO THE FUNDAMENTAL PRINCIPLE OF NON-DISCRIMINATION WHICH UNDERLIES THE GATT AND THAT IT WOULD PENALIZE THE ADVANCED DEVELOPING COUNTRIES WHO HAD MADE A SPECIAL EFFORT TO DEVELOP THEIR EXPORT TRADE. KOREA
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RECOGNIZED THAT IF SOME EXTRA TIME WAS NEEDED FOR ADJUSTMENT WITHIN THE IMPORTING COUNTRIES, THERE SHOULD BE PROVISION FOR SAFEGUARD ACTIONS, BUT STRESSED THAT KOREA BELIEVES THESE SHOULD BE APPLIED IN A NON-DISCRIMINATORY WAY.

2. DEPARTMENT OFFICIAL RESPONDED THAT USG UNDERSTANDS

THAT SELECTIVITY ISSUE IS OF CRUCIAL IMPORTANCE TO DEVELOPING COUNTRIES IN MTN. ALTHOUGH U.S. PRACTICES SELECTIVITY ITSELF WHEN IT NEGOTIATES ORDERLY MARKETING ARRANGEMENTS, OUR PRACTICE REQUIRES AGREEMENT BETWEEN THE IMPORTING AND EXPORTING COUNTRY. THE U.S. POSITION IS THAT NEW SAFEGUARD RULES RESULTING FROM MTN SHOULD INCLUDE THESE PRACTICES. NO MTN PARTICIPANT IS ACTIVELY OPPOSING SELECTIVITY WHERE IT RELIES ON THE CONSENT OF THE AFFECTED PARTIES. HOWEVER, WHERE NO AGREEMENT CAN BE REACHED AMONG THE PARTIES, THE U.S. POSITION IS THAT IMPORTING COUNTRY CAN APPLY IMPORT RESTRAINTS UNILATERALLY AND SELECTIVELY ONLY AFTER AN INTERNATIONAL COMMITTEE APPROVES SUCH AN ACTION. THE EC, OF COURSE, IS STRONGLY OPPOSED TO THIS POSITION. THIS ISSUE IS RECEIVING HIGH LEVEL ATTENTION IN ALL MAJOR COUNTRIES PARTICIPATING IN THE MTN.

3. WE NOTED THAT IN ORDER TO REACH A FINAL MTN AGREEMENT, ALL MTN PARTICIPANTS WILL HAVE TO BE RE-EXAMINING THEIR POSITIONS ON ALL MAJOR ISSUES, INCLUDING THIS QUESTION. ONE POSSIBLE COMPROMISE WHICH HAS BEEN FLOATING IN GENEVA IS TO IMPOSE VERY STRINGENT CONDITIONS ON UNILATERAL SELECTIVE ACTIONS SO AS TO MAKE THEM LESS ATTRACTIVE THAN MFN ACTIONS (E.G., ALLOWING UNILATERAL SELECTIVE ACTIONS TO LAST FOR A SHORTER TIME THAN MFN ACTIONS.) HAN RESPONDED THAT THE ROK EXPERIENCE WITH "TEMPORARY" PROGRAMS MAKES IT CAUTIOUS ABOUT THIS APPROACH, SINCE SUCH OSTENSIBLY TEM-

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PORARY PROGRAMS AS THE LTA HAVE, IN EFFECT, BECOME PERMANENT. WE ASKED HAN WHETHER ROK HAD CONSIDERED WHAT KIND OF COMPROMISES ON THIS ISSUE WOULD BE ACCEPTABLE TO IT. HAN RESPONDED THAT THE ROK WAS FIRMLY OPPOSED TO ANY APPROVAL OF UNILATERAL SELECTIVITY. HE NOTED THAT THE KOREAN DELEGATION IN GENEVA AND KOREAN REPRESENTATIVES IN EUROPE WERE ALSO INSTRUCTED TO RAISE KOREAN CONCERN WITH THIS ISSUE WITH THEIR HOST COUNTRY AND WITH OTHER MTN DELEGATIONS. HE EMPHASIZED THAT THE MAJOR INDUSTRIES IN KOREA WERE VERY AWARE OF THE POTENTIAL DAMAGE THAT UNILATERAL SELECTIVITY COULD INFLICT ON THEM. VANCE

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